

# ZyXEL Networks A/S

Gladsaxevej 378  
2860 Søborg  
Denmark

CVR no. 40 40 79 60

## Annual report 2022

The annual report was presented and approved at  
the Company's annual general meeting on

4 July 2023

Torben Thomasen  
Chairman of the annual general meeting

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of ZyXEL Networks A/S for the financial year 1 January – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Gladsaxe, 4 July 2023  
Executive Board:

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Jean-Marc Guignier  
CEO

Board of Directors:

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Shun-I Chu  
Chairman

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Torben Thomasen

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Kuo-Long Yang

## Independent auditor's report

### To the shareholder of ZyXEL Networks A/S

#### Opinion

We have audited the financial statements of ZyXEL Networks A/S for the financial year 1 January – 31 December 2022 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 4 July 2023

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Morten Høgh-Petersen  
State Authorised  
Public Accountant  
mne34283

**ZyXEL Networks A/S**  
Annual report 2022  
CVR no. 40 40 79 60

## Management's review

### Company details

ZyXEL Networks A/S  
Gladsaxevej 378  
2860 Søborg  
Denmark

CVR no.:	40 40 79 60
Established:	1 April 2019
Registered office:	Gladsaxe
Financial year:	1 January – 31 December

### Board of Directors

Shun-I Chu, Chairman  
Torben Thomasen  
Kuo-Long Yang

### Executive Board

Jean-Marc Guignier, CEO

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø  
CVR no. 25 57 81 98

## Management's review

### Financial highlights

EUR'000	2022	2021	2020	01.04.2019- 31.12.2019
<b>Key figures</b>				
Revenue	106,774	91,801	81,361	61,058
Gross profit/loss	24,263	23,364	20,937	11,147
Profit/loss from financial income and expenses	-309	130	-391	61
Profit/loss for the year	1,874	2,556	1,023	-283
<b>Balance sheet</b>				
Total assets	63,675	52,368	52,389	52,883
Equity	16,265	14,391	11,849	10,763
Investment in property, plant and equipment	0	9	0	0
<b>Ratios</b>				
Gross margin	22.7%	25.5%	25.7%	18.3%
Operating margin	2.3%	3.3%	2.3%	0.5%
Return on equity	0.0%	17.8%	8.6%	-2.6%
Solvency ratio	25.5%	27.5%	22.6%	20.4%
<b>Other key figures</b>				
Average number of full-time employees	108	117	140	9

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. For terms and definitions, please see the accounting policies.

## Management's review

### Operating review

#### Principal activities

The Company's primary activities consist of trading ZyXEL branded IT network products in several countries across EMEA, with key countries in reported regions such as Italy, France, Spain, Germany, Switzerland, Netherlands, Belgium, the Nordics, various Central European countries, the UK and Ireland, Turkey, Middle East, Israel and Greece.

The Company operates in the business segment Channel (Distribution). The products sold via distributors are mostly generic products.

All sales take place via the parent company as is the case for the most part of the administrative functions. Offices located in Finland, Sweden, Netherlands, Belgium, France, Italy, Spain, UK, Germany, Turkey, Poland, Hungary and Czech Republic provide sales and technical support, etc., locally.

#### Development in activities and financial position as well as outlook

The world-wide chip-set shortage in the IT networking industry caused by covid-19 in 2020, had an overall impact on the company's business activities in 2022. Intermittent supply of goods in H1 2022 had the effect of high demand for certain products, but also impacted our operating costs, such as freighting due to an increase in the overall cost of shipping goods by sea and air. This also meant that due the high demand of goods in Europe and the subsequent delivery of products in Q4 22 caused a higher than normal inventory holding at the end of 2022.

The Company's income statement for 2022 shows a profit of EUR 1,873,743 as against EUR 2,556,068 in 2021. Equity in the Company's balance sheet at 31 December 2022 stood at EUR 16,265,118 as against EUR 14,391,375 at 31 December 2021.

The development in revenue and profit for the year is considered satisfactory and in line with the expectations expressed in the financial statements for 2021.

The Group expected results for 2023 - revenue in the range of EUR 110,000 thousand and profit is expected to be consistent with the levels of profit in 2022.

#### Events after the balance sheet date

No events have occurred after the balance sheet date that may affect the Company's financial position.

#### General risks

ZyXEL Networks A/S is a trading company that sells products for the Company's owner to a limited number of customers in the countries where the Company is represented and, on this background, the Company does not have any specific general risks.

#### Financial risks

ZyXEL Networks A/S invoices and purchases goods mainly in EUR, however we also trade in GBP and USD. An exchange rate risk exists in the UK & Turkey where we trade in either GBP or USD. The risks are not hedged in financial instruments. The exchange risk related to sales in other countries is minimal.

#### Intellectual capital

It is necessary that our employees are updated on the development within our business areas and complementary areas as well. This is made via education, exhibitions, networking, etc.



## Management's review

### Operating review

#### Other Risks (Russia)

At the end of 2021, prior to the official start of the Russian invasion of Ukraine, ZyXEL Networks A/S had limited exposure in terms of assets and unpaid debts owed by our Russian customers.

In 2022, post the Invasion, banking sanctions were put in place on our banks to restrict any payments or receivables from Russian banks, which initially left us exposed to an accounts receivable risk.

During 2022 our Russian sales operation has subsequently closed down due to the ongoing war in Ukraine in accordance with the ongoing EU sanctions against the region.

#### Corporate social responsibility

The Company's primary activities consist of trading ZyXEL branded IT network in several countries across EMEA, with key countries in reported regions such as Italy, France, Spain, Netherlands, Belgium, Germany, Switzerland, the Nordics, various Central European countries. the UK and Ireland, Turkey, Middle East, Israel and Greece.

The Company operates in the business segment channel (Distribution). The products sold via distributors are mostly generic products.

All sales take place via the parent company as is the case for the most part of the administrative functions. Offices located in Finland, Sweden, France, Italy, Spain, Netherlands, Belgium, UK, Germany, Turkey, Poland, Hungary and Czech Republic provide sales and technical support, etc., locally.

Based on the performed internal risk assessment, and considering the countries in which we operate, it is our understanding that the risks to environmental, climate, human rights, social and staff matters, and anti-corruption and bribery are limited. Therefore, the Group does not have individual policies in EMEA.

However, in 2022 at a group level in our company headquarters (Taiwan), a new division dedicated to ESG digital transformation management under our company chief sustainability officer, has been created to eventually deliver the same CSR congruence across the group.

#### Gender distribution in Management

The Board of Directors of ZyXEL Networks A/S has three representatives who have been elected on the basis of their combined professional experience and qualifications. Two of the members of the board are also active members of the senior leadership within the ZyXEL Group. While these members have been elected based on the aforementioned qualities, we do recognise that there are advantages of having a board comprising of a wide range of backgrounds, culture and gender.

In 2022 there were no changes in the elected board of directors and therefore no change in distribution of gender within the board. However, it is the aim of Zyxel to increase the overall share of the under-represented gender over the next 4 years by 33% in that time. It is however important to note that taking the industry into consideration, we might encounter challenges in achieving our target within the defined timeframe.

The senior management team included seven persons in 2022, all of whom have been chosen with due respect to their professional experience. Two of the senior managers are female. ZyXEL Networks A/S has acknowledged the changes in the Danish Financial Statements Act regarding an equal gender distribution among the senior management. and will take it into consideration in addition to the professional experience of a candidate when a position becomes available.

## Management's review

### Operating review

#### *Board of Directors*

In 2022, there were no changes to the Board of Directors which is why we did not achieve the target figure. Taking the industry into consideration, we might encounter challenges in achieving our target within the defined timeframe.

#### *Our Managerial Position*

ZyXEL Networks A/S aspires to have one of each gender in the final stage of the hiring processes. In 2022 we will continue to work towards making changes to the gender distribution in senior management roles to increase female representation to a more equal distribution.

#### *Report on data ethics*

ZyXEL Networks A/S is committed to following best practice when it comes to the ongoing management of our customer data, to ensure that we are adhering to ethical guidelines. The amount of exposure we have to customer data is limited, due to the type of data we have on customers and personal data within our customer relationship management tool and other data tools. We are still in transition to fully implement the guidelines on ethical policies implemented in 2022, alongside our data protection policy that already fulfills GDPR compliance. ZyXEL Networks A/S plans to fully implement the new data ethics policy in 2023 to support and complement our current data protection policy.

## Financial statements 1 January – 31 December

### Income statement

EUR	Note	2022	2021
<b>Revenue</b>	2	106,774,358	91,800,928
Production costs		<u>-82,511,566</u>	<u>-68,436,810</u>
<b>Gross profit</b>		24,262,792	23,364,118
Distribution costs	3,4,5	-17,073,417	-12,522,207
Administrative expenses	3,4,5	<u>-4,715,733</u>	<u>-7,775,940</u>
<b>Profit before financial income and expenses</b>		2,473,642	3,065,971
Income from equity investments in group entities	6	130,645	-32,269
Other financial income	7	1,153,702	767,138
Other financial expenses	8	<u>-1,462,673</u>	<u>-635,581</u>
<b>Profit before tax</b>		2,295,316	3,165,259
Tax on profit for the year	9	<u>-421,573</u>	<u>-609,191</u>
<b>Profit for the year</b>	10	<u><u>1,873,743</u></u>	<u><u>2,556,068</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

EUR	Note	31/12 2022	31/12 2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	11		
Acquired patents		<u>478,585</u>	<u>846,230</u>
<b>Property, plant and equipment</b>	12		
Fixtures and fittings, tools and equipment		<u>13,743</u>	<u>20,915</u>
<b>Investments</b>	13		
Equity investments in group entities		<u>4,523,884</u>	<u>4,585,690</u>
<b>Total fixed assets</b>		<u>5,016,212</u>	<u>5,452,835</u>
<b>Current assets</b>			
<b>Inventories</b>			
Goods for resale		<u>31,281,530</u>	<u>15,609,383</u>
<b>Receivables</b>			
Trade receivables		20,368,760	19,395,893
Receivables from group entities		0	1,080,632
Other receivables		1,078,419	3,562,729
Deferred tax asset	14	<u>822,600</u>	<u>443,273</u>
		<u>22,269,779</u>	<u>24,482,527</u>
<b>Cash at bank and in hand</b>		<u>5,107,810</u>	<u>6,823,452</u>
<b>Total current assets</b>		<u>58,659,119</u>	<u>46,915,362</u>
<b>TOTAL ASSETS</b>		<u><u>63,675,331</u></u>	<u><u>52,368,197</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

EUR	Note	<u>31/12 2022</u>	<u>31/12 2021</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	15	2,781,424	2,781,424
Retained earnings		<u>13,483,694</u>	<u>11,609,951</u>
<b>Total equity</b>		<u>16,265,118</u>	<u>14,391,375</u>
<b>Provisions</b>			
Other provisions	16	<u>1,702,842</u>	<u>1,688,619</u>
<b>Total provisions</b>		<u>1,702,842</u>	<u>1,688,619</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		2,997,633	5,415,167
Payables to group entities		38,932,845	28,185,655
Other payables		<u>3,776,893</u>	<u>2,687,381</u>
		<u>45,707,371</u>	<u>36,288,203</u>
<b>Total liabilities other than provisions</b>		<u>45,707,371</u>	<u>36,288,203</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>63,675,331</u>	<u>52,368,197</u>
<b>Contractual obligations, contingencies, etc.</b>	17		
<b>Related party disclosures</b>	18		

## Financial statements 1 January – 31 December

### Statement of changes in equity

EUR	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	2,781,424	9,067,348	11,848,772
Transferred over the profit appropriation	0	2,556,068	2,556,068
Foreign exchange adjustment, branches	0	-13,465	-13,465
Equity at 1 January 2022	2,781,424	11,609,951	14,391,375
Transferred over the profit appropriation	0	1,873,743	1,873,743
<b>Equity at 31 December 2022</b>	<b>2,781,424</b>	<b>13,483,694</b>	<b>16,265,118</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of ZyXEL Networks A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. However, minor changes have been made to the comparative figures.

#### Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of ZyXEL Networks A/S and group entities are included in the consolidated financial statements of ZyXEL Communication Corporation.

#### Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of ZyXEL Communication Corporation.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into EUR at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

### Income statement

#### Revenue

Income from the sale of goods, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ©2020.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Production costs

Production costs comprise costs, incurred in generating revenue for the year. Such costs include direct and indirect costs of consumables, as well as impairment losses on goods for resale.

##### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., are recognised as distributions costs. Also, costs relating to sales staff and depreciation are recognised.

##### Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Parent Company, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

##### Income from equity investments in subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of internal gains/losses and amortisation of goodwill.

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

##### Tax on profit for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

### Balance sheet

#### Intangible assets

##### *Acquired patents*

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Amortisation is provided on a straight-line basis over the expected useful lives of the assets which are 5-7 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as the operating income or operating costs, respectively.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The basis of depreciation, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis of the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	2-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

#### Investments

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the subsidiaries' net asset values calculated in accordance with the accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investment in subsidiaries with negative net asset values are measured at EUR 0 (nil), and any amounts owed by such subsidiaries are written down if the amount owed is irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of ZyXEL Networks A/S are not recognised in the reserve for net revaluation.

#### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment, as well as equity investments in group entities, is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

#### Inventories

Inventories are measured at cost, comprising purchase price plus delivery costs, in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

#### Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Equity

###### *Net revaluation reserve according to the equity method*

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserve can be eliminated in case of loss, realisation of equity investments or changes to accounting estimates.

The reserve cannot be recognised at a negative amount.

###### *Dividends*

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year (declaration date) is disclosed as a separate item under equity.

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Provisions

Provisions comprise anticipated costs of warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Provisions are measured at net realisable or fair value if the obligation is expected to be settled in the distant future.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Warranties comprise obligations to make good any defects on goods sold. Provisions are measured at net realisable value and recognised on the basis of the Company's past record with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

#### Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at amortised cost.

### Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Financial Ratios".

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

## Financial statements 1 January – 31 December

### Notes

EUR	<u>2022</u>	<u>2021</u>
<b>2 Revenue</b>		
Denmark	3,408,389	3,582,766
The Nordic countries excluding Denmark	5,811,944	4,602,527
Europe excluding Denmark and the Nordics	86,187,449	73,415,432
Outside Europe	<u>11,366,576</u>	<u>10,200,203</u>
	<u>106,774,358</u>	<u>91,800,928</u>
<b>3 Fees to auditor appointed at the general meeting</b>		
<p>Fee to the auditor appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the Consolidated Financial Statements of ZyXEL Communications Corporation.</p>		
<b>4 Depreciation, amortisation and impairment losses</b>		
Intangible assets	367,645	551,032
Property, plant and equipment	<u>7,172</u>	<u>10,600</u>
	<u>374,817</u>	<u>561,632</u>
<b>Depreciation and amortisation are recognised as follows in the consolidated financial statements and parent company financial statements:</b>		
Administration	7,172	10,600
Distribution	<u>367,645</u>	<u>551,032</u>
	<u>374,817</u>	<u>561,632</u>

## Financial statements 1 January – 31 December

### Notes

EUR	<u>31/12 2022</u>	<u>31/12 2021</u>
<b>5 Staff costs</b>		
Selling and distribution cost	8,283,077	7,804,345
Administrative expenses	<u>1,271,436</u>	<u>1,440,547</u>
	<u>9,554,513</u>	<u>9,244,892</u>
<b>Total staff can be specified as follows:</b>		
Salaries and remunerations, etc.	7,661,140	7,611,477
Pensions	448,028	408,658
Other social security costs	<u>1,445,345</u>	<u>1,224,757</u>
	<u>9,554,513</u>	<u>9,244,892</u>
Average number of full-time employees	<u>108</u>	<u>117</u>
In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors has not been disclosed.		
<b>6 Income from equity investments in group entities</b>		
Share on profit	<u>130,645</u>	<u>-32,269</u>
<b>7 Other financial income</b>		
Exchange rate adjustments	1,146,072	763,447
Other financial income	<u>7,630</u>	<u>3,691</u>
	<u>1,153,702</u>	<u>767,138</u>
<b>8 Other financial expenses</b>		
Interest expense loans	10,044	33,916
Other financial costs	530	0
Exchange rate adjustments costs	<u>1,452,099</u>	<u>601,665</u>
	<u>1,462,673</u>	<u>635,581</u>
<b>9 Tax on profit for the year</b>		
Current tax for the year	833,041	424,706
Deferred tax for the year	-379,327	184,485
Adjustment of tax concerning previous years	<u>-32,141</u>	<u>0</u>
	<u>421,573</u>	<u>609,191</u>

## Financial statements 1 January – 31 December

### Notes

EUR	<u>2022</u>	<u>2021</u>
<b>10 Proposed profit appropriation</b>		
Retained earnings	<u>1,873,743</u>	<u>2,556,068</u>
	<u>1,873,743</u>	<u>2,556,068</u>
<b>11 Intangible assets</b>		
EUR		<u>Acquired patents</u>
Cost at 1 January 2022		<u>2,755,078</u>
Cost at 31 December 2022		<u>2,755,078</u>
Amortisation and impairment losses at 1 January 2022		-1,908,848
Amortisation for the year		<u>-367,645</u>
Amortisation and impairment losses at 31 December 2022		<u>-2,276,493</u>
<b>Carrying amount at 31 December 2022</b>		<u>478,585</u>
<b>12 Property, plant and equipment</b>		
EUR		<u>Fixtures and fittings, tools and equipment</u>
Cost at 1 January 2022		<u>39,785</u>
Cost at 31 December 2022		<u>39,785</u>
Depreciation and impairment losses at 1 January 2022		-18,870
Depreciation for the year		<u>-7,172</u>
Depreciation and impairment losses at 31 December 2022		<u>-26,042</u>
<b>Carrying amount at 31 December 2022</b>		<u>13,743</u>

## Financial statements 1 January – 31 December

### Notes

#### 13 Investments in subsidiaries

EUR	Equity investments in group entities
Cost at 1 January 2022	5,317,659
Disposals for the year	<u>-192,653</u>
Cost at 31 December 2022	5,125,006
Revaluations at 1 January 2022	<u>-731,970</u>
Net profit/loss for the year	130,848
Revaluations 31 December 2022	<u>-601,122</u>
<b>Carrying amount at 31 December 2022</b>	<b><u>4,523,884</u></b>

Name/legal form	Registered office	Voting rights and ownership interest	Equity EUR	Profit/loss for the year EUR
ZyXEL Communications B.V.	The Netherlands	100%	1,471,393	32,678
ZyXEL Communications Russia	Russia	100%	110,648	20,399
ZyXEL France	France	100%	<u>1,972,829</u>	<u>77,771</u>
			<u>3,554,870</u>	<u>130,848</u>

Carrying amount of investments in subsidiaries includes goodwill of EUR 203 thousand (2021: EUR 233 thousand), which are depreciated over 7 years.

According to the latest approved financial statements for the financial year 1 January - 31 December 2021.

#### 14 Deferred tax assets

EUR	31/12 2022	31/12 2021
Deferred tax at 1 January	443,273	627,758
Deferred tax adjustment for the year in the income statement	<u>379,327</u>	<u>-184,485</u>
	<u>822,600</u>	<u>443,273</u>

The deferred tax assets is recognised at its full value as it is expected to be utilised within the next years according to the budgets and projections.



## Financial statements 1 January – 31 December

### Notes

#### 15 Share capital

The share capital consists of 1 share of EUR 2,781,424.

The share does not carry special right.

#### 16 Other provisions

Other provisions comprise commitments relating to warranties on sold products and can be specified as follows:

EUR	31/12 2022	31/12 2021
Warranty provisions at 1 January	<u>1,702,842</u>	<u>1,688,619</u>
	<u>1,702,842</u>	<u>1,688,619</u>

#### 17 Contractual obligations, contingencies, etc.

##### Contingent liabilities

The Company is party to a few disputes. The expected outcome of the cases has been recognised in the financial statements. None of these cases are deemed material for the evaluation of the Company's financial position.

The Company is jointly taxed with ZYXEL Communications A/S. The Company has unlimited joint and several liability for payment of Danish corporation taxes. Any subsequent corrections of the income subject to joint taxation may entail that the Company's liability will increase.

##### Operating lease obligations

Lease commitments (operating leases) that fall due within 3 years total EUR 0 thousand (2021: EUR 47,096 thousand).

## Financial statements 1 January – 31 December

### Notes

#### 18 Related party disclosures

ZyXEL Networks A/S' related parties comprise the following:

##### Control

ZyXEL Networks Corporation, 11F., No. 225, Sec 3, Beixin Rd., Zindian Dist., New Taipei City 23143, Taiwan.

ZyXEL Networks Corporation holds the majority of the contributed capital in the Company.

ZyXEL Networks A/S is part of the consolidated financial statements of ZyXEL Networks Corporation, 11F., No. 225, Sec 3, Beixin Rd., Zindian Dist., New Taipei City 23143, Taiwan, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of ZyXEL Networks Corporation can be obtained by contacting the Company at the address above.

##### Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.